

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (01/20):**

BUTTER: Grade AA closed at \$1.3400. The weekly average for Grade AA is \$1.3350 (-.0345).

CHEESE: Barrels closed at \$1.3100 and blocks at \$1.3500. The weekly average for barrels is \$1.3231 (-.0144) and blocks, \$1.3631 (-.0044).

BUTTER: The market tone remains weak. The CME cash butter market saw fractional gains during the week. However, the weekly average is down moderately from the previous week. Churning activity is still heavy. Churning facilities in all regions of the country are operating at or near capacity levels. Many contacts are surprised by the continued heavy volumes of surplus cream. Like last week, producers are packaging a larger percentage of their output in bulk. Demand for butter at retail and food service levels is steady and lackluster.

CHEESE: The cheese market is unsettled to weak. Current demand is fair at best. Super Bowl shipments have been made. Current offerings are generally more than adequate and accumulating at many locations. A few retailers are making new promotions at current market prices. Cheese production remains seasonally active, reflecting the higher than year ago milk volumes. Some plants have reduced fortifying or are skimming extra fat to help reduce cheese yields.

FLUID MILK: The Martin Luther King, Jr. holiday observance closed many schools, reducing Class I demand for some bottlers. Overall, Class I interest was steady to often lighter. Milk production is increasing seasonally through most of the country. The exceptions are the Pacific Northwest as well as Utah and Idaho where the wet conditions continue to stress cows and reduce milk output. Culling rates are also heavier in some affected areas. Though down from the 2005 holiday period, manufacturing milk volumes are seasonally heavy and inventories of finished products are accumulating at a number of plants. Cream demand remains weak and churning is heavy. Ice cream interest is seasonally light.

DRY PRODUCTS: Whey and lactose markets are steady to firm whereas all other dry dairy product markets are trending steady to weak. Heavy production of NDM is encouraging movement at reduced prices. Some reports in the trade indicate that sales to the CCC support program may need to take place to clear building stocks. Buttermilk stocks continue to build in response to heavy churn activity. Buyer anticipation of lower prices is hampering current movement of buttermilk. Higher whey prices are encouraging discussions regarding premiums and surcharges in the trade. Buyer resistance is noted in some instances yet without available alternatives, whey movement remains good. Lactose prices are unchanged and supplies remain short of buyer interest. WPC prices are lower for the limited interest.

CCC: During the week of January 16 - 20, there was no dairy price support activity.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for February 2006 is \$13.38, unchanged from January. This price is derived from the advanced Class III skim milk pricing factor of \$8.51 and the advanced butterfat pricing factor of \$1.4771 per pound. Class I

differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for February is \$8.17 and the Class II nonfat solids price is \$0.9078 per pound. The following are the two-week product price averages: butter \$1.3459, nonfat dry milk \$0.9782, cheese \$1.3895, and dry whey \$0.3394.

DECEMBER MILK PRODUCTION (NASS): Milk production in the 23 major states during December totaled 13.6 billion pounds, up 4.3% from December 2004. November revised production, at 13.0 billion pounds, was up 4.6% from November 2004. The November revision represented a decrease of 1 million pounds from last month's preliminary production estimate. Production per cow averaged 1,665 pounds for December, 55 pounds above December 2004. The number of milk cows on farms was 8.16 million head, 67,000 head more than December 2004, and 4,000 head more than November 2005. Annual 2005 U.S. milk production totaled 176.5 billion pounds, up 5.7 billion pounds (3.3%) from 2004. The annual average output per cow totaled 19,536 pounds, up 579 pounds (3.1%). The estimated average number of dairy cows in the U.S. totaled 9.034 million head, up 24,000 (0.3%).

NOVEMBER FLUID MILK SALES (DAIRY PROGRAMS & CDIB): During November, about 4.6 billion pounds of packaged fluid milk products is estimated to have been sold in the U.S. This was 1.2% lower than November 2004. After adjusting for calendar composition, sales in November 2005 were unchanged from November 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk increased from November 2004, while sales of whole milk, flavored whole milk, and flavored fat-reduced milk decreased from a year earlier.

OCTOBER MAILBOX MILK PRICES (DAIRY PROGRAMS): In October 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.38 per cwt., \$.22 more than the figure for the previous month. The component tests of producer milk in October 2005 were: butterfat, 3.72%; protein, 3.11%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas except three, and ranged from \$18.02 in Florida to \$13.63 in New Mexico. In October 2004, the Federal milk order all-area average mailbox price was \$15.58, \$.20 higher.

DECEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY: During December about 10.1 billion pounds of milk were received from producers. This volume of milk is 45.9 percent higher than the December 2004 volume. In December 2004, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 0.8 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 39%, Class II = 11%, Class III = 39%, and Class IV = 11%. The weighted average statistical uniform price was \$14.28 per cwt., \$0.47 lower than last month, and \$1.72 lower than last year.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY JANUARY 16	TUESDAY JANUARY 17	WEDNESDAY JANUARY 18	THURSDAY JANUARY 19	FRIDAY JANUARY 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	NO TRADING	\$1.3275 (N.C.)	\$1.3275 (N.C.)	\$1.3275 (N.C.)	\$1.3100 (-.0175)	-.0175	\$1.3231 (-.0144)
40# BLOCKS		\$1.3675 (N.C.)	\$1.3675 (N.C.)	\$1.3675 (N.C.)	\$1.3500 (-.0175)	-.0175	\$1.3631 (-.0044)
BUTTER GRADE AA		\$1.3325 (+.0025)	\$1.3325 (N.C.)	\$1.3350 (+.0025)	\$1.3400 (+.0050)	+.0100	\$1.3350 (-.0345)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 16, 2006 -- NO TRADING

TUESDAY, JANUARY 17, 2006

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS GRADE A @ \$0.9600
 BUTTER -- SALES: NONE; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.3325, 2 @ \$1.3300; OFFERS UNCOVERED: NONE

WEDNESDAY, JANUARY 18, 2006

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$0.9500; 2 CARS GRADE A @ \$0.9500
 BUTTER -- SALES: NONE; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.3300, 2 @ \$1.3275, 2 @ \$1.3250; OFFERS UNCOVERED: NONE

THURSDAY, JANUARY 19, 2006

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.3675
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE A @ \$0.9400
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.3350; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.3300; OFFERS UNCOVERED: NONE

FRIDAY, JANUARY 20, 2006

Today's trading transactions available at http://www.ams.usda.gov/mnreports/md_da998.txt and will be available in next week's report.

CME NDM prices can be found at: http://www.ams.usda.gov/mnreports/md_da601.txt

BUTTER MARKETS**NORTHEAST**

The butter market remains weak. The first week of daily trading at the CME saw the cash butter price decline each day. Contacts wonder what this week will bring. Many feel that the lackluster demand from both print and bulk, coupled with still heavy production and growing stocks, will have a continued negative impact on prices. In the East, churning activity was still heavy last week. There were reports of one plant, trying to limit their butter output, diverting some of their cream to a sister plant in the Midwest. Some butter makers were packaging in quarter-pound prints to meet order by retailers who have features in the offering. Others are bulking their butter for later use. Cream supplies remain plentiful. Buying interest is spotty. Some distributors were closed for the observance of Martin Luther King Day, which will compress their work-week and delivery schedules. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

Late last week, the CME cash butter market dipped to \$1.3300, but gained 1/4 cent early in the week and sits at \$1.3325 at midweek. Many producers and handlers continue to report that cream supplies remain readily available

and in most instances, favorably priced. Producers and handlers feel that the current price level is probably where it will basically stay for this time of the year. Current production schedules are keeping ahead of demand, thus surplus is clearing to inventory. Orders are starting to occur for those buyers that were absent from the market following the year end holidays. In most instances, handlers and traders indicate that orders are for short term or immediate needs with most buyers not purchasing too heavily. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Prices at the CME cash market had fallen for six consecutive sessions before moving back up a fraction on January 17. The trade generally feels that the market is more likely to fall than increase. They are basing this opinion on lots of milk and cream around leading to heavy churning. More plants are bulking for storage as opposed to printing for immediate sale. Many contacts are surprised at the volumes of cheap cream available. Limited feature activity is noted at the retail level. Prices for bulk butter range from 2 cents under to 4 1/2 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE			
JANUARY 14	1.3774	1.3553	0.9741	1.3612	0.3439
	9,280,561	9,171,787	21,028,116	2,272,068	10,796,777

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are steady to fractionally lower and the market tone is weak. Demand has slowed from pre-holiday levels, but is expected to hold up fairly well through the Super Bowl weekend. Cheese output in the Northeast is easing lower as surplus milk volumes decline from the year-end holiday levels. Cheese inventories are more than adequate to cover current and projected January needs. However, some contacts and industry consultants feel that the cheese prices at the CME could continue to move lower in coming weeks. With this in mind, some buyers are waiting to see what happens before making additional purchases. Retail sales are slower and food service orders are steady to lower.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4500-1.9700
Cheddar Single Daisies	:	1.4075-1.8825
Cheddar 40# Block	:	1.5075-1.7800
Process 5# Loaf	:	1.5475-1.7900
Process 5# Sliced	:	1.5675-1.7975
Muenster	:	1.5225-1.7225
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled. Current spot interest is generally slow to fair. Orders from regular accounts are fairly steady. Some retailers are taking advantage of current prices (compared to recent years) to do some extra promoting. Most buyers are still limiting orders to short term needs. Much of the expected product for Super Bowl events has been shipped or is in transit. Bulk cheese sellers have to contend with the general buyer perception that bulk cheese prices could weaken in the short term and buyers that are trying to reduce commitments. Inventory is accumulating at some plants. Other operations have been pushing spot sales, with or without discounts, from regular markups to keep inventory from accumulating. Also, traders feel that substantially larger cheese volumes need to be exported under the C.W.T. program to significantly tighten supplies. Cheese production is steady to higher seasonally. Seasonal increases in milk intakes are more than offsetting any decline in cheese yields.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5875-1.8400
Brick And/Or Muenster 5#	:	1.8400-1.9150
Cheddar 40# Block	:	1.7175-2.2650
Monterey Jack 10#	:	1.8800-2.2650
Blue 5#	:	2.2175-2.5300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5450-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
01/16/06	18,366	: 126,810
01/01/06	11,601	: 125,224
CHANGE	6,765	: 1,586
% CHANGE	58	: 1

WEST

Block cheese prices at the CME have held at \$1.3675 since December 28. Little trading activity has been noted at the Exchange. The market seems to be fairly balanced for the short run. Cheese production is relatively heavy, but plants are not doing much to fortify the vats. Many are skimming some fat off to get the relationships to an efficient production level. Buying activity is rated as fair at best. Super Bowl shipments have taken place. Buyers are in no hurry to do anything but place orders to replace stock levels. No one is expecting cheese supplies to tighten so that there is not much incentive to buy ahead. Fat and protein tests are at good winter levels. Under grade cheese continues to clear very well for this season of the year. Offerings are relatively heavy, but buyers are taking a good chunk of it each week. Mozzarella sales are steady to a little slower with some production continuing to end up in the freezer.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4925-1.7500
Cheddar 40# Block	:	1.4875-1.7875
Cheddar 10# Cuts	:	1.6675-1.8875
Monterey Jack 10#	:	1.6775-1.8375
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices and the market tone are unchanged. Supplies of most types of imported cheese are adequate for the steady to slightly slower demand. Stocks of domestically-made styles are also adequate to meet needs. Reports from the EU indicate a steady to firmer cheese market in the coming months.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6300	: 1.7625-3.2525
Gorgonzola	: 3.6900-5.9400	: 2.2725-2.4900
Parmesan (Italy)	: TFEWR	: 3.1775-3.2825
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.7625-2.0000
Romano (Cows Milk)	: -0-	: 2.9600-5.1025
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	55	0	88	0	0	29
SOUTHEAST STATES	0	0	0	0	0	0

December milk production in the 23 major states totaled 13.6 billion pounds, up 4.3% from December 2004. The following are the December-to-December changes for selected states: Texas +12.3%, Pennsylvania +4.5%, New York +3.9%, Virginia +2.7%, Vermont +1.4%, Kentucky -3.4%, and Florida -4.5%. Regional Milk Market Administrators announced the following, December 2005 uniform prices: Northeast \$14.83, Mideast \$13.90, Appalachian \$15.51, Southeast \$15.44, Florida \$16.89, and Western New York (a state order) \$14.07 at the base city or county in the orders. Milk production is starting to increase in more areas of the Southeast. Milder weather is cited as a major factor in the rise in the milk output. Farm pick-up haulers have reportedly added trucks/routes in parts of Florida, Georgia, and the Carolinas. Farther north, milk output is steady to slightly higher in the Middle Atlantic area and still mostly steady in New England. Fluid milk supplies are generally more than ample for overall needs. Class I sales are reported as fairly good, but not quite as good as last week. Some retailers in the Southeast are coming off a week of milk features, which are typically followed by a period of lighter sales. Some schools were closed Monday, January 16, for the observance of Martin Luther King's birthday. This pushed a little more milk into manufacturing facilities. Overall, surplus milk volumes are in better balance this week. However, some plant problems in both the South Central and Middle Atlantic areas did push some additional loads to other, near-by plants. In the Southeast, more manufacturing plants are operating on abbreviated schedules and a few have been idled, until milk volumes return. Florida's milk needs are easing as noted by the drop in milk imports this week. The condensed skim market is little changed. Few spot sales are noted and contract sales are just fair. This is leaving more skim to be dried. The fluid cream market is weak. Offerings are heavy and clearances to butter operations are still fairly heavy. Shipments to Midwest butter plants are fewer in number, but still more than some contacts expected. Other handlers are trying to keep Class II cream moving by offering lower multiples, particularly in the upper portion of the range. Consequently, spot prices this week are both higher and lower. Ice cream plants are getting back up to normal operating levels and some are taking advantage of the lower cost cream. Sales to cream cheese operations are fair, but also price sensitive.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6160-1.7804
DELIVERED EQUIVALENT ATLANTA	-	1.6434-1.8351 M 1.6982-1.7530
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5749-1.7119

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0200-1.0900
NORTHEAST- CLASS III - SPOT PRICES	- 1.0500-1.1200

M I D W E S T

Class I and II milk interest was generally quieter this week for many bottlers and handlers with the usual exceptions to the rule. Many schools were closed for the holiday on Monday, reducing school account needs. Condensed skim interest is often quiet also. There were no reported spot Michigan milk shipments into the Southeast this week. Manufacturing milk interest is lackluster as is the demand for many cheese varieties. Manufacturing plants continue to operate on heavy seasonal schedules. Many plant operators are concerned with having enough plant capacity in the spring. Reported spot manufacturing milk premiums range from around flat class, fob to around \$1.50 over class. Churning continues very active with some churns full and not interested in additional volumes. Ice cream interest is fairly steady with spot interest in additional cream light. Milk intakes are steady to generally higher

seasonally. Temperatures in the northern tier of states have remained well above seasonal norms with snow coverage limited in many areas. Initial December 2005 milk production in selected Midwestern states compared with December 2004 is: Wisconsin, 1.927 billion pounds, an increase of 85 million pounds (4.6%); Minnesota, 694 million pounds, up 15 million pounds (2.2%); Michigan, 565 million pounds, up 34 million pounds (6.4%); Texas, 557 million pounds, up 61 million pounds (12.3%); Iowa, 318 million pounds, down 2 million pounds (-0.6%); and Indiana, 271 million pounds, up 23 million pounds (9.3%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 12 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 51.00	\$ 49.00- 56.00
REPLACEMENT HEIFER CALVES	\$500.00-700.00	\$300.00-550.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 12 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.00- 53.00	\$ 46.00- 57.50

W E S T

U.S. Hay Production in 2005 totals 150.59 million tons, down 4.8% from 2004 according to NASS. Output for selected Western states compared to last year is as follows: Arizona 2.32 million tons +9.7%, California 8.94 million tons -3.1%, Colorado 4.09 million tons +11.4%, Idaho 5.38 million tons +0.6%, Nevada 1.61 million tons +8.6%, New Mexico 1.41 million tons +3.5%, Oregon 3.14 million tons -13.4%, Utah 2.59 million tons +5.1% and Washington 3.21 million tons -5.4%. Hay supplies in the region are generally tight and prices are sideways to a little firmer. December U.S. milk production for the 23 States totals 13.59 billion pounds, up 4.3% from December 2004. Production per cow is up 3.4% and cow numbers are up 0.8% or 67,000 head from last year. Output for selected states compared to last year is as follows: Arizona n/c, California +2.8%, Colorado +5.3%, Idaho +10.9%, New Mexico +13.8%, Oregon n/c, and Washington +0.2%. CALIFORNIA milk output patterns are consistent with recent weeks. The trend in the South and Central Valley has been slight fluctuations trending steady to slightly higher. Rains in the northern milk producing areas are impacting milk production on a limited basis. There are expected problems with herd health and pastures in that area. Bottled milk sales have steadied for both school and retail accounts. Most schools and colleges have resumed. Yogurt sales are reported to be good and absorbing dairy ingredients. Ice cream production is slow to redevelop after holiday shutdowns. The impact of the state 2-month class pricing has not reflected all the downtrend in butter prices and will not until February/March pricing. Several cheese plants are trying to move inventories and are cutting back on production. Milk production in NEW MEXICO is holding mostly steady at levels generally above last year. The weather has been neutral for milk cows with dry conditions common. Milk is moving to established channels with extra beginning to be moved out to balancing plants and to fill the needs of the Southeast. Fluid milk needs are steady. The CREAM market continues to be weak. Supplies are in excess of current demand and sellers have to discount to find willing buyers. Some butter producers are making bulk butter to freeze instead of selling cream at lower multiples. Expectations of increased orders for cream based dips and cream cheese orders ahead of the Super Bowl are noted. The CME Grade AA butter price declined 3.25 cents to close at \$1.3325 at midweek. Cream multiples are higher on the lower side and move from 98 to 119, FOB, and vary depending on class usage and basing point. Wet conditions continue to cause milk production problems in the PACIFIC NORTHWEST. Cows are under constant stress and herd health is suffering. Feed lots are difficult to manage when there is no break in the weather. Local culling rates are increasing because of more mastitis cases. Milk production is suffering in some herds. The drying trend that had started in UTAH and IDAHO has come to an end again. Lots are wet and sloppy and they are stressing the cows. Free stall barns are even having some problems as bedding does not have a chance to dry out much with the amount of moisture in the air and on the cows. Some producers are trying to haul hay around and that is proving to be not much fun either.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are lower on a steady to weak market. Offerings are increasing on low heat NDM for the light interest. Varied price activity that undercuts end of the year contractual deals is encouraging brokers and buyers to take a wait and see approach on additional purchases. Increased supply availability is noted from manufacturers and custom dryer facilities that intermittently operate. Offerings from Western manufacturers are competitive with the Central region. High heat NDM supplies remain tight yet producers are reducing prices to keep the market in better alignment with the low heat NDM.

EAST: Prices are steady to slightly lower as the NASS average (the basis for most NDM sales), decreased a little more than 1.5 cents from the previous week. A weaker undertone seems to prevail in the market. The continued heavy production in the East and other parts of the country, is adding to growing inventories. Rumors/speculation of continued heavy stocks and growing production through the spring are commonplace. Also, more contacts feel CCC will again be offered NDM sooner than many anticipate and most likely by the end of the first quarter. Time will tell, but there appears to be more price resistance in the marketplace as buyers/users try to extend their existing stocks or shop for lower priced powder. When the NASS average price dipped so sharply the last week of the year, buyers were quite active the following week and appear to be in no big hurry to re-enter the market. Producer stocks continue to grow under the pressure of heavier output and often slower demand. Eastern producers continue to report that condensed skim sales are slow, which forces more skim through the dryers.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .9900 - 1.0550 MOSTLY: .9900 - 1.0200
HIGHHEAT: 1.0450 - 1.1050

NONFAT DRY MILK - WEST

From January to November 2005, exports of NDM/SMP totaled 261,323 MT (576.1 million pounds), compared to 195,219 MT (430.4 million pounds) in the same period in 2004, an increase of 34%. During November 2005, exports totaled 35.5 million pounds. The nonfat dry milk markets are highly unsettled and trending weaker. Pricing indexes moved lower last week and further affected this week's prices. Production remains seasonally active as milk in the region is strong and at levels above last year. Export demand has been slow to resume this calendar year. There are numerous reports that suggest export prices are trading below the bottom end of the reported range, albeit unconfirmed. Discounting is occurring in many forms – direct discounts, dropping energy surcharges, lower prices on contract loads, and lower export prices – in attempts to move product. Buyers are being cautious and expressing the concern about buying and holding if the market price should decline. The world market price is in the mid-90's cent range for SMP. Usage of NDM and condensed skim in cheese production remains light as milk is available locally and in other regions, so cheese makers are mostly using just milk. Contacts note that NDM inventory levels are building at many locations. There is talk that NDM may need to clear to the CCC support program in the near future to clear available stock if export and domestic demand are not active to clear supplies. There is product being bagged in government qualified bags, but this could still be utilized in other channels in spite of the bag if market conditions change. Stocks are moderate to heavy. High heat prices are lower and the tone is weaker. There is product available for current contract and spot needs. Demand is fair at best with a cautious approach with potential for price declines if pricing indexes recede.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .9000 - 1.0075 MOSTLY: .9200 - 1.0000
HIGHHEAT: 1.0000 - 1.0400

DRY BUTTERMILK – CENTRAL

Prices are unchanged to lower on a weak market. Offerings are generally at the average to lower. Unconfirmed reports of trades above the range are noted. With heavy churn activity, buttermilk production remains strong. Producer offerings are often not readily acknowledged by buyers as prices are expected to trend lower. Some producers expect that the lower side of the price range will reflect a market bottom. Others are not certain of how the market will settle, especially in light of the large swings in NDM market prices.

F.O.B. CENTRAL: .8500 - .9100

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are generally steady. There was limited spot market activity reported. The Northeast prices remain nominal. The market tone is weak. Production levels are moderate to heavy as Eastern butter makers continue to report ample volumes of surplus cream and heavy churning activity. Producer stocks are growing at most plants. Demand is mostly steady and from contractual accounts.

F.O.B. NORTHEAST: .9300 - .9600
DELVD SOUTHEAST: .9000 - .9700

DRY BUTTERMILK - WEST

Western dry buttermilk prices are lower and the market undertone remains weak. Supplies are in excess of current needs. Churning remains heavy and more solids are available for processing. The demand side remains limited. Buyers are cautious about taking any position unless the price is reduced. Sales are slow. Stock levels are moderate to heavy.

F.O.B. WEST: .8400 - .9200 MOSTLY: .8400 - .8600

DRY WHOLE MILK - NATIONAL

Prices are unchanged to lower and nominal. Last week's decline in the cash butter price at the CME has some Western producers adjusting prices, but most Eastern dryers are holding prices until the Class IV milk price changes. Production levels are mostly steady. Little, direct spot sales activity was noted. Plant inventories are well balanced.

F.O.B. PRODUCING PLANT: 1.3200 - 1.3575

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 13	\$.9427	11,299,665	0
January 6	\$.9699	7,756,873	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices are higher on a steady to firm market. Production is unchanged to somewhat lower as cheese plants opt to reduce milk intakes when possible. Manufacturers are readily able to satisfy contractual shipments with limited supply availability for spot trade. Although prices continue to trend higher on the spot market, offerings are noted slightly lower as prices reflect either a premium or an energy surcharge unlike previous offerings that included both charges. Some plants are also offering a price ceiling to deter continued price increases in the market. Feed grade supplies vary in availability and price for the good interest. Dry whey permeate supplies are also variable and in some instances, available as a substitute to whey into feed markets.

F.O.B. CENTRAL: .3425 - .3625 MOSTLY: .3425 - .3475
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3000 - .3375

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are fractionally higher again this week and remain nominal in the Northeast. The market tone is steady, but there are more signs of price resistance. Demand is just fair and mostly contractual. Production levels are easing lower as surplus milk volumes subside in the East. Producers who had an extra load or two to offer last week, now report that they have returned to a sold out position. Some dryers would like extra condensed whey to dry, but little is available in the East and prices, like dry whey, are increasing.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3525 - .3600
DELVD SOUTHEAST: .3675 - .3925

DRY WHEY – WEST

Western whey prices range from steady to fractionally higher. Offerings are clearing easily and stocks are not building at the producer level. Both domestic and export sales remain strong. More discussion is noted about the high prices, but there are no ready alternatives available. Production of powder is relatively heavy. For the period January – November 2005, whey exports total 386.5 million pounds, up 19.5% from last year. Exports account for about 49% of total whey powder production. The top 5 export destinations are as follows: China 100.5 million pounds, Japan 49.2 million pounds, Korea 43.2 million pounds, Canada 43.2 million pounds, and Taiwan 30.1 million pounds. These top five countries account for 69% of the export total.

NONHYGROSCOPIC: .3350 - .3750 MOSTLY: .3450 - .3525

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels remain relatively heavy. Surplus milk volumes are moderate to heavy in most parts of the country. Demand, typical for this time of year, is slow to fair. However, the market continues to be highly competitive as buyers shop for the best prices and producers do their best to hold on to existing accounts.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Offers are increasing for the very light interest. Loads of high protein concentrate from domestic and foreign sources are readily available as a substitute to WPC 34%. Buyers are hesitant to purchase additional supplies until the market settles. Production is mostly steady with most movement noted on a contractual basis. During the period of January – November 2005, WPC 34% exports increased 23.97% whereas WPC 80% exports decreased 15.26% compared to the same period in 2004. Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 22,260,620 lbs (+28.95%), China 12,030,975 lbs (+324.97%), Canada 8,128,132 lbs (+14.6%), Japan 6,011,410 lbs (-55.36%), and Brazil 4,415,053 lbs (+1272.05%). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 5,259,846 lbs (-3.15%), Mexico 4,273,776 lbs (+87.14%), Japan 1,462,574 lbs (-0.61%), and China 1,340,032 lbs (-52.01%).

F.O.B. EXTRA GRADE 34% PROTEIN: .7700 - .8300 MOSTLY: .7900 - .8000

LACTOSE - CENTRAL AND WEST

Prices are generally unchanged on a firm market. Supplies are generally short of buyer interest. However, some aberrant reports of lactose being readily available from some Central locations for domestic or export markets are noted. Inquiries are noted from Asia and Europe. Some plants report that they are over-sold for the duration of the quarter. Current production is steady. During the period of January – November 2005, lactose exports increased 27.03% compared to the same period in 2004. Export quantities and percentage changes for the dominant markets include: Japan 50,260,016 lbs (+12.26%), Mexico 22,010,026 lbs (+19.03%), China 20,714,955 lbs (+65.32%), Vietnam 12,382,292 lbs (+55.07%) and Thailand 8,427,435 lbs (+323.44%). Exports accounted for 24.63% of production during the January – November 2005 period. This compares to 19.45% for the same time period in 2004.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2650 MOSTLY: .2300 - .2400

CASEIN – NATIONAL

Casein markets are steady and prices remain unchanged. Domestic buyers continue to report that they are getting their desired volumes, although for some, their overall need is edging lower. Some buyers have replaced casein with other, less expensive and more available, protein sources. Some suppliers, especially European sources, are looking at their upcoming production season and are indicating that they may be reducing their output. Some European sources have already completely ceased production with others lowering their production projections for the upcoming season.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.1500 - 3.2700
ACID: 3.0800 - 3.2700

EVAPORATED MILK - NATIONAL - see adjacent column

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	01/04	01/05	01/06	01/09	01/10	01/11	01/12	01/13	01/16	01/17
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JAN 06	13.38 (2553) 298	13.32 (2551) 105	13.37 (2507) 9	13.37 (2508) 5	13.37 (2460) 81	13.37 (2459) 6	13.37 (2431) 34	13.35 (2433) 5	NO TRADING	13.35 (2433) 1
FEB 06	13.25 (2596) 476	13.13 (2639) 141	13.05 (2636) 101	13.08 (2655) 57	13.05 (2642) 50	12.98 (2704) 158	12.88 (2711) 171	12.78 (2583) 715		12.78 (2660) 190
MAR 06	13.14 (2146) 478	13.10 (2242) 168	13.00 (2249) 75	13.10 (2269) 52	13.10 (2279) 57	12.98 (2288) 43	12.87 (2316) 167	12.75 (2451) 199		12.68 (2503) 435
APR 06	12.90 (1951) 227	12.95 (2078) 235	12.88 (2123) 101	12.95 (2146) 73	12.90 (2159) 46	12.87 (2234) 110	12.81 (2339) 177	12.77 (2385) 87		12.75 (2391) 41
MAY 06	12.80 (1847) 138	12.84 (1867) 89	12.80 (1907) 88	12.90 (1898) 49	12.87 (1910) 35	12.82 (1919) 78	12.78 (1945) 54	12.75 (1989) 57		12.75 (1995) 23
JUN 06	12.83 (1721) 52	12.85 (1750) 85	12.83 (1758) 14	12.94 (1781) 50	12.92 (1793) 46	12.91 (1870) 105	12.87 (1901) 64	12.87 (1926) 42		12.88 (1947) 33
JUL 06	13.19 (1454) 90	13.20 (1483) 49	13.19 (1500) 28	13.21 (1516) 22	13.19 (1534) 39	13.18 (1564) 77	13.18 (1629) 100	13.18 (1658) 47		13.18 (1658) 12
AUG 06	13.39 (1387) 48	13.42 (1423) 67	13.42 (1436) 22	13.43 (1441) 11	13.41 (1464) 47	13.39 (1475) 20	13.39 (1493) 48	13.39 (1496) 13		13.39 (1502) 17
SEP 06	13.58 (1451) 65	13.61 (1478) 58	13.61 (1489) 16	13.63 (1497) 23	13.61 (1520) 46	13.60 (1533) 24	13.60 (1552) 53	13.60 (1557) 17		13.60 (1564) 7
OCT 06	13.18 (1439) 48	13.20 (1482) 114	13.19 (1487) 10	13.21 (1492) 17	13.19 (1510) 46	13.19 (1518) 17	13.18 (1553) 66	13.17 (1557) 13		13.15 (1575) 11
NOV 06	12.86 (1318) 38	12.88 (1346) 47	12.88 (1347) 9	12.90 (1359) 24	12.92 (1366) 15	12.92 (1374) 17	12.92 (1393) 38	12.90 (1397) 10		12.93 (1403) 12
DEC 06	12.77 (1340) 44	12.77 (1365) 50	12.77 (1364) 3	12.80 (1382) 31	12.80 (1386) 7	12.80 (1396) 27	12.80 (1419) 38	12.80 (1419) 9		12.80 (1427) 13
JAN 07	12.50 (111) 7	12.50 (113) 4	12.50 (113) 0	12.50 (115) 9	12.50 (113) 17	12.50 (113) 0	12.50 (113) 3	12.50 (123) 13		12.50 (124) 1
FEB 07	12.26 (108) 5	12.28 (108) 3	12.26 (109) 1	12.27 (109) 0	12.29 (110) 6	12.29 (113) 3	12.29 (113) 0	12.29 (121) 7		12.29 (121) 1
MAR 07	12.42 (105) 5	12.42 (108) 3	12.42 (108) 0	12.42 (108) 0	12.42 (108) 0	12.42 (108) 0	12.42 (108) 0	12.42 (123) 16		12.43 (123) 1
APR 07	12.50 (58) 0	12.50 (58) 0	12.50 (58) 0	12.50 (58) 0	12.50 (58) 0	12.50 (58) 0	12.50 (58) 0	12.50 (65) 7		12.50 (66) 1
MAY 07	12.60 (66) 0	12.60 (66) 0	12.60 (66) 0	12.60 (66) 0	12.60 (71) 5	12.61 (71) 0	12.61 (71) 0	12.65 (72) 3		12.65 (72) 1
JUN 07	12.78 (46) 0	12.75 (51) 5	12.75 (51) 0	12.75 (51) 0	12.75 (51) 0	12.75 (51) 0	12.75 (51) 0	12.80 (67) 25		12.80 (68) 1
JUL 07	13.00 (30) 0	13.00 (30) 0	13.00 (30) 0	13.00 (30) 0	13.00 (30) 0	13.00 (30) 0	13.00 (30) 0	13.00 (31) 3		13.01 (32) 1
CME - (CLASS IV) MILK FUTURES -- Dollars per cwt.										
JAN 06	12.70 (2) 0	12.70 (2) 0	12.70 (2) 0	12.70 (2) 0	12.70 (2) 0	12.70 (2) 0	12.70 (2) 0	12.70 (2) 0	NO TRADING	12.70 (2) 0
FEB 06	12.60 (1) 0	12.60 (1) 0	12.60 (1) 0	12.60 (1) 0	12.60 (1) 0	12.60 (1) 0	12.60 (1) 0	12.60 (1) 0		12.60 (1) 0
MAR 06	12.60 (2) 0	12.60 (2) 0	12.60 (2) 0	12.60 (2) 0	12.60 (2) 0	12.60 (2) 0	12.60 (2) 0	12.60 (2) 0		12.60 (2) 0
CME - BUTTER FUTURES -- Cents per pound										
MAR 06	142.00 (171) 10	142.00 (168) 4	140.00 (166) 12	140.00 (165) 1	138.75 (163) 9	138.75 (162) 1	138.50 (164) 2	136.75 (165) 8	NO TRADING	136.75 (169) 10
MAY 06	142.50 (140) 0	142.50 (140) 0	142.50 (140) 0	142.50 (140) 0	142.50 (140) 1	142.50 (140) 8	141.50 (140) 0	139.75 (140) 0		139.75 (141) 5
JUL 06	145.00 (148) 0	145.00 (148) 0	145.00 (151) 3	145.00 (151) 0	145.00 (151) 0	145.00 (151) 8	144.75 (153) 2	141.00 (154) 1		141.00 (154) 0
SEP 06	146.00 (85) 0	146.00 (85) 0	146.00 (85) 0	146.00 (85) 0	146.00 (85) 0	146.00 (85) 0	146.00 (86) 1	143.00 (87) 1		143.00 (87) 0
OCT 06	147.00 (33) 0	147.00 (33) 0	147.00 (33) 0	147.00 (33) 0	147.00 (33) 0	147.00 (33) 1	147.00 (33) 0	143.50 (33) 3		143.50 (33) 1
CME – CASH BUTTER FUTURES -- Cents per pound										
JAN 06	141.00 (176) 7	139.00 (176) 0	140.00 (176) 15	137.00 (172) 6	137.00 (172) 0	138.25 (166) 13	137.00 (166) 5	135.00 (166) 5	NO TRADING	135.00 (166) 0
FEB 06	142.75 (202) 3	142.75 (202) 0	142.00 (202) 0	141.50 (209) 7	139.00 (218) 9	138.50 (225) 12	137.00 (232) 7	134.50 (238) 6		134.50 (238) 0
MAR 06	142.00 (170) 26	142.50 (188) 21	142.50 (188) 0	142.50 (199) 11	139.25 (209) 14	139.00 (217) 13	138.25 (224) 17	135.00 (243) 29		135.00 (251) 8
APR 06	140.00 (123) 0	141.00 (123) 0	141.00 (123) 0	141.00 (123) 0	140.25 (128) 5	141.25 (132) 4	140.00 (140) 9	137.50 (164) 31		139.00 (166) 5
MAY 06	141.00 (112) 0	142.00 (112) 0	142.00 (112) 0	142.00 (112) 0	142.25 (112) 0	142.00 (116) 7	140.00 (117) 3	139.50 (162) 44		139.50 (162) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 9 - 20, 2006

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk production continues to increase across most areas of Europe, although at varying rates. Deliveries to factories are reflecting the increases. Milk volumes are increasing, but some reports indicate that overall volumes are trailing last season for this time of the year. Milk handlers state that more milk producers than in years past will need to closely monitor their milk marketings as the quota yearend nears. On January 12, the Dairy Management Committee met and increased the export refund for butter by 1 Euro. This was the first increase in an export refund in quite some time. Traders and handlers have mixed opinions on why this move occurred. Intervention for butter will be opening on March 1 and many feel that butter clearances will be active. Some feel that the Committees move was to help encourage international sales versus intervention clearance. Skim milk intervention also opens March 1, but traders and handlers do not foresee significant activity early on in the open season. International buyer interest remains slow for most all manufactured dairy products. Some traders are indicating that a full cream milk powder tender may be extended in the near future which could stimulate buyer interest. Outside of this potential, most European sales activity continues to center around an internal market.

BUTTER/BUTTEROIL: European butter markets are generally steady at unchanged prices, although an unsettled/weak undertone is developing. At the most recent Dairy Management Committee meeting, the export refund for butter was increased by 1 Euro. This is the first increase in an export refund in quite a while. Although minimal, some traders and handlers feel this adjustment occurred to possibly help stimulate international sales versus clearances to intervention which will open in March. Milk production is increasing in both Eastern and Western Europe, thus butter/powder production is also on the increase.

82% BUTTERFAT:	1,900 - 2,125
99% BUTTERFAT:	2,350 - 2,600

SKIM MILK POWDER (SMP): European skim milk powder markets are generally steady although prices on both ends of the range have trended lower. Producers and handlers feel that clearances to intervention, beginning March 1 will be light. They feel that producers will try to hold onto supplies for potential sales versus offer stocks to intervention, at least early on in the open season. Milk production is starting to increase throughout Europe, thus butter/powder production is also on the increase. Producers that may consider offering powder to intervention on March 1, can start producing that powder on February 1.

1.25% BUTTERFAT:	2,100 - 2,250
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady with prices unchanged to slightly lower on the lower end of the reported range. Some traders and handlers are stating that a sizeable tender may be forth coming for whole milk powder. At this point, it appears that whole milk powder is the product of most buyer interest. International sales are light, but may improve if a significant portion of the anticipated tender is sourced out of Europe.

26% BUTTERFAT:	2,100 - 2,300
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SWEET WHEY POWDER: Whey powder markets are generally steady, although prices at the top of the reported range have eased slightly. Stocks of whey powder are not excessive although cheese production is seasonally active. European traders and handlers state that internal demand is strong where as international buyer interest is limited, due to higher than desired prices.

NONHYGROSCOPIC:	725 - 850
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EASTERN OVERVIEW: Milk production trends in Eastern Europe continue to hold steady at seasonally low levels, but a few more reports of slight increases are being released, especially from Polish producers. Milk handlers state that more Eastern European producers may have to closely monitor their marketings versus previous years as the milk quota yearend nears. Most of these producers have not had to deal with quota limits up to this point, but as they increase their milking herds and become more efficient, additional milk volumes become more a concern.

OCEANIA

OCEANIA OVERVIEW: Milk production continues to seasonally decline in both New Zealand and Australia. No major negative influences are being reported to accelerate this decline. At this point, New Zealand's output continues to trail forecasts and appears to be running about 2% behind last year. In Australia, cumulative milk production figures are running about 0.8% ahead of last year for the first four months (July - October) and projections of a 1% increase over last year remain. November production figures will soon be released with milk producers and handlers feeling that positive results will continue to be reported. Weather conditions in Victoria are seasonal and favorable, while still dry in New South Wales and Queensland. Market activity remains quite steady with previous weeks. Traders and handlers report that there is no real new buyer interest to report out of the Oceania region, although they indicate that international buyer interest is starting to stir. They do indicate that they will not be able to acknowledge much, if any, of this interest due to their previous commitments and the uncertainty of the balance of the milk production season. At this point, traders and exporters state that they have adequate volumes of product to maintain steady and on schedule shipments. As the season winds down, traders feel that they may have to reach to outside sources to fully acknowledge their commitments.

BUTTER: Oceania butter markets remain steady. Producers and handlers state that production is seasonally active, although edging lower as milk production declines. Most producers indicate that stocks are in close balance for commitments with minimal uncommitted volumes available. Most market activity continues to center around regular and ongoing customer needs with minimal new buyer interest being reported. Many traders state that should new buyers question availability, they would not be able to fill the inquiry at this time.

82% BUTTERFAT:	1,850 - 2,050
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CHEDDAR CHEESE: Oceania cheddar cheese markets remain steady at unchanged prices. For the most part, second half sales negotiations have been finalized and stock requirements are known. Traders and handlers are hopeful that current inventories and future production will be sufficient to fulfill commitments. No new sales are being reported, but traders indicate that some regular and ongoing customers have increased their requirements.

39% MAXIMUM MOISTURE:	2,600 - 2,900
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SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady at unchanged prices, although traders and handlers feel that a weaker undertone is developing. At this point, market activity continues to center around commitments made earlier in the year. Traders and handlers are addressing these needs with minimal new buyer interest being reported. Traders state that the Oceania region would probably be out of the market should new buyer interest resume. Most inventory and future production has been fully committed.

1.25% BUTTERFAT:	2,075 - 2,250
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WHOLE MILK POWDER (WMP): Not much is happening with the Oceania whole milk powder market at this time. Prices are holding unchanged with the market tone steady. Powder production is seasonally active, although trending lower as milk production declines. Market activity continues to center around previous commitments to regular and ongoing customers.

26% BUTTERFAT:	2,100 - 2,250
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Exchange rates for selected foreign currencies: January 17, 2006

.8601 Canadian Dollar	.0226 Indian Rupee
.3283 Argentina Peso	.6914 New Zealand Dollar
.0944 Mexican Peso	.7523 Australian Dollar
.3149 Polish Zloty	.0087 Japanese Yen
	1.2105 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0944)=
10.5932 Mexican Pesos. Source: "Wall Street Journal"

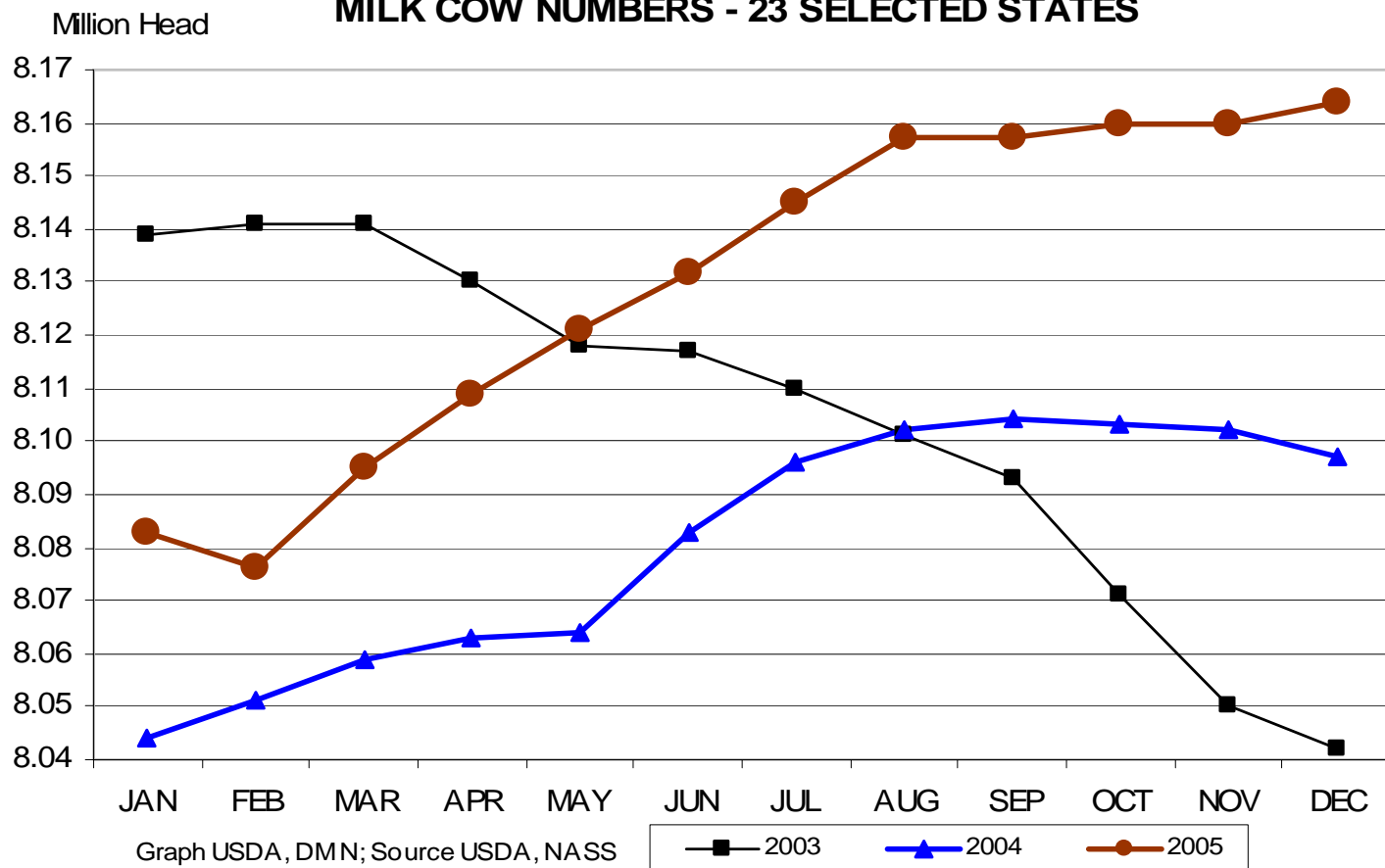
DECEMBER MILK PRODUCTION

Milk production in the 23 major states during December totaled 13.6 billion pounds, up 4.2 percent from December 2004. November revised production, at 13.0 billion pounds, was up 4.6 percent from November 2004. The November revision represented a decrease of 1 million pounds from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,665 pounds for December, 55 pounds above December 2004. The number of milk cows on farms in the 23 States was 8.16 million head, 67,000 head more than December 2004, and 4,000 head more than November 2005. Milk production in the U.S. during the October-December quarter totaled 43.6 billion pounds, up 3.9 percent from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.05 million head, 31,000 head more than the same period last year.

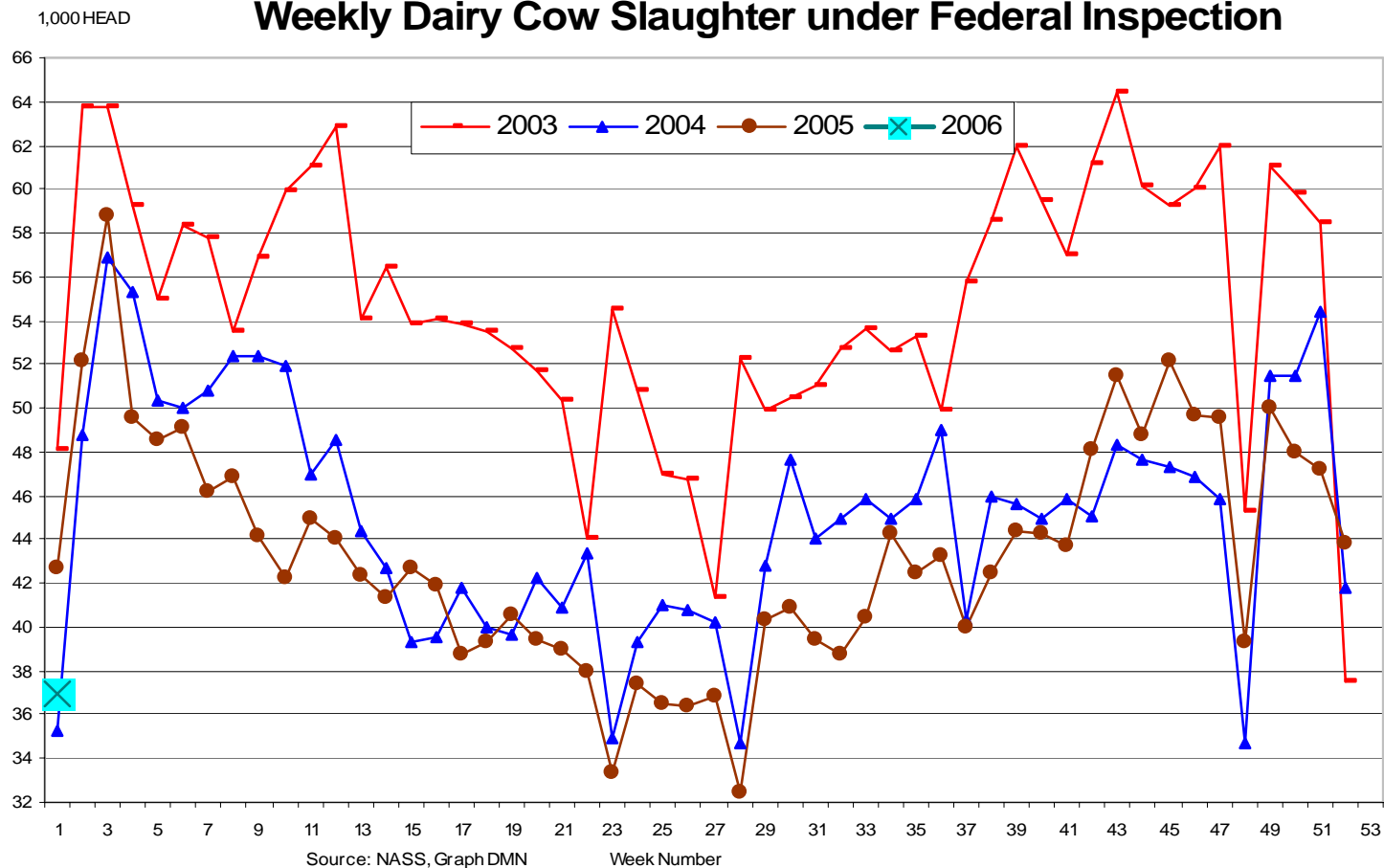
STATE	MILK COWS 1/ 2/				MILK PRODUCTION 1/ 3/			
	DECEMBER		OCTOBER-DECEMBER		DECEMBER		OCTOBER-DECEMBER	
	2004	2005	2004	2005	2005	% CHANGE FROM 2004	2005	% CHANGE FROM 2004
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	17	15	--	--	50	-10.7
AK	--	--	1.2	0.9	--	--	2.7	-20.6
AZ	166	163	167	162	316	--	908	-0.2
AR	--	--	23	21	--	--	64	-12.3
CA	1,741	1,770	1,741	1,770	3,177	2.8	9,381	2.7
CO	102	105	103	105	198	5.3	587	6.1
CT	--	--	20	20	--	--	92	-3.2
DE	--	--	7.5	7.1	--	--	29.8	-5.4
FL	138	135	137	135	191	-4.5	511	-3.8
GA	--	--	84	79	--	--	329	-1.5
HI	--	--	5.8	5.1	--	--	15.3	-12.1
ID	435	472	434	471	868	10.9	2,590	12.1
IL	106	104	106	104	163	--	474	---
IN	155	158	154	157	271	9.3	791	9.0
IA	188	187	190	187	318	-0.6	928	-1.2
KS	111	111	112	112	192	3.2	565	3.9
KY	110	102	109	102	112	-3.4	325	-4.7
LA	--	--	36	32	--	--	95	-12.0
ME	--	--	33	32	--	--	142	-4.1
MD	--	--	73	71	--	--	281	-1.4
MA	--	--	17	16	--	--	70	-4.1
MI	307	312	306	312	565	6.4	1,664	6.3
MN	460	445	460	448	694	2.2	2,006	1.6
MS	--	--	26	24	--	--	82	-4.7
MO	119	114	120	114	148	-2.0	425	-4.5
MT	--	--	18	19	--	--	93	8.1
NE	--	--	61	60	--	--	268	1.5
NV	--	--	25	26	--	--	140	9.4
NH	--	--	16	16	--	--	74	---
NJ	--	--	12	12	--	--	46	-2.1
NM	321	339	322	337	603	13.8	1,773	11.3
NY	650	649	651	649	1,003	3.9	2,973	4.6
NC	--	--	55	53	--	--	231	-4.5
ND	--	--	33	33	--	--	132	3.9
OH	266	273	266	271	396	2.6	1,164	2.9
OK	--	--	75	75	--	--	293	-1.3
OR	120	121	120	121	188	--	557	0.2
PA	565	557	564	557	880	4.5	2,579	4.6
RI	--	--	1.1	1.0	--	--	4.4	-2.2
SC	--	--	18	17	--	--	69	---
SD	--	--	80	81	--	--	358	5.9
TN	--	--	73	69	--	--	257	-4.8
TX	319	324	320	322	557	12.3	1,594	11.3
UT	--	--	89	85	--	--	413	4.0
VT	143	143	144	142	220	1.4	641	1.4
VA	104	104	104	105	152	2.7	440	2.8
WA	235	237	235	240	453	0.2	1,362	2.9
WV	--	--	13	13	--	--	49	2.1
WI	1,236	1,239	1,237	1,238	1,927	4.6	5,664	4.5
WY	--	--	4.4	6.2	--	--	22.9	40.5
20 STATE TOTAL	8,097	8,164	--	--	13,592	4.3	--	--
U.S. 5/ 6/	--	--	9,019	9,050	--	--	43,605	3.9

1/ Preliminary. 2/ Includes dry cows, excludes heifers not yet fresh. 3/ Excludes milk sucked by calves. 5/ Includes states for which individual monthly estimates are not available. 6/ Milk cows will not add due to rounding. SOURCE: "Milk Production," Da 1-1 (1-06), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

MILK COW NUMBERS - 23 SELECTED STATES



Weekly Dairy Cow Slaughter under Federal Inspection



NOVEMBER FLUID MILK SALES

During November, about 4.6 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.2 percent lower than November 2004. After adjusting for calendar composition, sales in November 2005 were unchanged from November 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk increased from November 2004, while sales of whole milk, flavored whole milk, and flavored fat-reduced milk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dvfmoms/mib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
NOVEMBER 2005, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	November	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,426	15,660	-3.9	-3.5
Flavored Whole Milk	67	687	-3.1	-12.4
Reduced Fat Milk (2%)	1,491	16,222	1.2	1.3
Low Fat Milk (1%)	529	5,836	-0.9	2.6
Fat-Free Milk (Skim)	661	7,345	0.3	2.8
Flavored Fat-Reduced Milk	339	3,366	-1.9	3.5
Buttermilk	49	479	-0.6	-2.7
Total Fluid Milk Products 3/	4,623	49,799	-1.2	0.0
Total Fluid Milk Products Adjusted 3/ 4/	4,616	49,851	0.0	0.4

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. There were significant revisions to previous year data and April 2005 data for California. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dvfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, NOVEMBER 2005, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	November	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	794	8,653	-2.2	-0.7
Appalachian (005)	297	3,172	0.6	-0.4
Southeast (007)	420	4,448	1.5	1.8
Florida (006)	247	2,726	-2.0	1.7
Midwest (033)	533	5,702	-2.2	-0.5
Upper Midwest (030)	372	4,013	-2.1	1.4
Central (032)	398	4,227	-1.7	-0.3
Southwest (126)	367	3,912	0.6	1.5
Arizona-Las Vegas (131) 3/	111	1,155	1.6	2.2
Pacific Northwest (124)	184	1,952	-3.5	-0.9
California (---) 4/	531	5,855	-1.0	-0.2

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 4/ above.

3/ The in-area sales data for this order does not include all the sales in the marketing area due to the reporting exemption of fluid milk processors located in Clark County, Nevada.

4/ There were significant revisions to previous year data and April 2005 data for California.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, OCTOBER 2005

In October 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.38 per cwt., \$.22 more than the figure for the previous month. The component tests of producer milk in October 2005 were: butterfat, 3.72%; protein, 3.11%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas except three, and ranged from \$18.02 in Florida to \$13.63 in New Mexico. In October 2004, the Federal milk order all-area average mailbox price was \$15.58, \$.20 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	October 2004	September 2005	October 2005
	Dollars per hundredweight		
Northeast Federal Milk Order	16.20	15.54	15.68
Appalachian States <u>3/</u>	15.96	15.34	15.61
Southeast States <u>4/</u>	16.57	16.55	16.61
Southern Missouri <u>5/</u>	15.50	14.90	15.30
Florida	18.13	18.32	18.02
Ohio	15.68	15.03	15.54
Indiana	15.79	14.91	15.36
Michigan	15.37	14.85	15.44
Wisconsin	16.00	15.45	15.77
Minnesota	15.58	15.36	15.46
Iowa	15.71	15.15	15.59
Illinois	15.95	15.26	15.80
Corn Belt States <u>6/</u>	14.42	14.11	14.49
Western Texas <u>7/</u>	14.42	14.53	14.47
New Mexico	13.41	13.71	13.63
Northwest States <u>8/</u>	14.56	14.35	14.51
All Federal Order Areas <u>9/</u>	15.58	15.16	15.38
California <u>10/</u>	14.12	14.09	14.10

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, DECEMBER

HIGHLIGHTS -- Handler reports of receipts and utilization under the Federal milk order system for December have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During December about 10.1 billion pounds of milk were received from producers. This volume of milk is 45.9 percent higher than the December 2004 volume. In December 2004, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 0.8 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 39%, Class II = 11%, Class III = 39%, and Class IV = 11%. The weighted average statistical uniform price was \$14.28 per cwt., \$0.47 lower than last month, and \$1.72 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF DECEMBER 2005										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,952.9	3.1	926.2	-1.3	48	17	22	13	14.83
Appalachian (Charlotte)	005	529.7	8.4	358.0	-3.4	68	13	8	11	15.51
Southeast (Atlanta)	007	627.0	10.9	400.9	0.0	64	9	14	13	15.44
Florida (Tampa)	006	262.0	0.9	231.5	4.1	88	7	1	4	16.89
Mideast (Cleveland)	033	1,444.5	46.7	570.6	-0.6	40	13	40	7	13.90
Upper Midwest (Chicago)	030	2,181.4	226.9	392.5	-0.8	18	5	75	2	13.61
Central (Kansas City)	032	1,317.3	84.7	383.4	1.7	29	10	50	11	13.69
Southwest (Dallas)	126	869.9	37.6	354.5	-1.8	41	11	31	17	14.60
Arizona-Las Vegas (Phoenix)	131	257.3	4.2	87.3	-0.2	34	9	37	20	14.00
Pacific Northwest (Seattle)	124	618.7	39.8	181.5	-4.7	29	6	27	38	13.44
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	10,060.7	45.9	3,886.4	-0.8	39	11	39	11	14.28

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ In December 2004, due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in Order Nos. 005, 007, 033, 030, 032, 126, and 124, handlers elected not to pool 3.1 billion pounds of milk that normally would have been associated with these markets. After adjusting for these not pooled volumes, the year-to-year percent change is +0.3.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 16 - 20, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 01/13/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 16 - 20, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JANUARY 1 - 20, 2006 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2005 =	60.2	3,233.1

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	-0-	29,415,099	-0-	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	-0-	31,817,269	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/31/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2005-Dairy	N.A.	0.5	5.1	2.0	12.0	1.5	0.2	N.A.	13.0	1.5	36.9	47.6
2004-Dairy	N.A.	0.7	5.9	2.7	13.8	3.3	0.7	N.A.	12.6	2.3	42.7	49.6
2005-All cows	N.A.	0.5	6.4	7.3	24.9	9.4	10.1	N.A.	14.3	2.0	77.6	77.6
2004-All cows	N.A.	0.7	7.3	9.8	28.0	8.9	10.5	N.A.	13.3	4.2	86.1	86.1

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38										
II												
III												
IV												

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmos/mib/cls_prod_cmp_pr.htm